CONSOLIDATED CANADIAN FARADAY LIMITED

1970 ANNUAL REPORT

TO THE SHAREHOLDERS:

On behalf of the board of directors, I am pleased to send you this annual report which reviews the operations of your company and includes financial statements for the fiscal year ended December 31, 1970. Also with this report are financial statements for Dumbarton Mines Limited.

During the past fiscal year, as planned, the rate of processing of Werner Lake mine ore was gradually reduced. At the same time, rate of treatment of Dumbarton mine ores at the Werner Lake concentrator was increased. The effect was an average throughput of Werner Lake ores of slightly under 300 tons per day during 1970, while daily treatment rate of Dumbarton ores averaged just over 700 tons.

The reports of Mr. C. P. Moore, manager of both Dumbarton and the Werner Lake division, provide more extensive details on mining, milling and ore reserves. Both reports are included for your information.

Also enclosed is the report of Mr. B. C. Fillingham, manager of Red Mountain Mines Limited.

In last year's annual report it was indicated that the exhaustion of the ore reserves at the Red Mountain mine at Rossland, British Columbia, would force suspension of operations in the latter part of 1970. The timely discovery of a new zone — the "E" Zone has provided a new source of mill feed and given the mine additional life.

After a brief shutdown at year-end, milling of material from the "E" Zone commenced in February. However, additional ore must be discovered and developed if production is to continue past August of 1971.

During the 1970 fiscal year Federal Resources Corporation Limited exercised its option to acquire 51% interest in your company's uranium property at Bancroft. Federal, since acquiring the option in 1966, has spent some $1.3 million in development work and has, as a result of this program, increased reserves from approximately one million pounds of U_3O_8 to three million pounds U_3O_8.

Resumption of production at the Bancroft property would, of course, be related to completion of firm contracts for sale of the uranium oxide. The mine and mill facilities are being maintained by Federal pending contracts being obtained.

In the meantime, your management has been advised by the Hon. J. J. Greene, Minister of Energy, Mines and Resources, that proposed legislation by the Federal Government, cover-

ing provisions of ownership of Canadian uranium resources, will take no exception to the Faraday-Federal agreement provided the interests of both companies in the property are held by a Canadian company.

Your directors are also pleased to report to you that, in addition to exploration activity undertaken by Faraday's associated companies, Hydra Explorations Limited and Massval Mines Limited, Faraday itself has resumed mineral search programs after curtailing exploration while the Dumbarton mine was being developed.

Early this year shareholders were advised that your company had obtained an interest in the Greenarctic Consortium and the right to earn an interest in 2,000,000 acres held by the Consortium in Greenland. Negotiations are in progress to enlarge Faraday's interest in the Consortium and acquire the right to earn a direct interest in other specific acreage. Upon resolution of these matters and the exploration program warranted for the current season in the light of these decisions, a further report will be forwarded to the shareholders.

Your directors believe Faraday is sharing in an important and highly promising mineral search venture in a region which until recently has been excluded to non-Danish companies.

Faraday continues to seek and investigate other prospective exploration projects; management will report to you on any agreements concluded.

The directors are sincerely appreciative of the efficient efforts of the managers and staffs of the operations in Ontario, Manitoba and British Columbia.

On behalf of the board,

W. C. Campbell

W. Clarke Campbell,
President.

Toronto, Ontario
April 15, 1971

WERNER LAKE DIVISION

Production from the Werner Lake mine in 1970 was reduced to 300 tons per day to accommodate the milling of ores from the Dumbarton operation.

Tonnage milled throughout the year was 105,504 tons, at an average daily rate of 294 tons.

The production of concentrates totalled 6,042.84 dry tons with a recoverable metal content of 1,121,764 pounds of nickel, 593,284 pounds of copper and an estimated 178.100 ounces of platinum and 1,730.337 ounces of palladium.

MINING: Cut and fill mining has gradually been phased out of the operation as uneconomical. The remaining operating cut and fill stopes are scheduled to be mined out early in the new year.

Stoping will then consist wholly of blast hole sub level benching.

During the year, blast hole stopes produced 87% of the ore, the remaining 13% coming from cut and fill.

ORE RESERVES: Due to increased labour rates, marketing costs and reduction in tonnage, the ore reserves figures have been reduced by some 48,000 tons to firm up the grade.

Reserves as at December 31, 1970, as calculated by the mine geology and engineering departments, amounted to 191,960 tons of proven ore grading 0.90% nickel and 0.41% copper.

MILLING: A four-foot short head cone crusher was installed to offset the difficulties encountered crushing Dumbarton ore and to take the load off the standard 4¼ foot cone. This also provided finer feed to the mills, increased the crushing rate and provided more time for maintenance of the crushing plant.

The old screen was replaced with a new Tyler screen. The rod and ball mill liners were changed and major repairs were carried out on the standard cone crusher.

These installations and repairs, coupled with irregular-sized mill feed and the wearing in of two new sets of liners, had a noticeable effect in reducing the mill output in both circuits.

Since these changes were made, the mill output has steadily increased.

A new mill laboratory was added to the mill plant and a mill engineer engaged. New equipment, including a polaragraph and an electro-analyzer, were purchased to improve analytical determinations.

Performance figures are tabulated here with comparative data for 1969 and 1968:

	1970	1969	1968
Tons Milled	105,504	177,726	207,417
Heads —			
Nickel %	0.79	0.82	1.05
Copper %	0.35	0.39	0.53
Tails —			
Nickel %	0.21	0.20	0.22
Copper %	0.047	0.055	0.05
Recoveries —			
Nickel %	75.2	77.1	80.8
Copper %	87.4	86.9	90.7
Concentrate —			
Nickel %	10.37	8.84	9.47
Copper %	5.40	4.81	5.33

COSTS: Excluding capital expenditures, the operation suffered a loss of $0.56 per ton of ore milled during the year.

This loss is attributed to the lower grade of ore milled, the completion of a three-year stope preparation program in one year and higher milling costs accrued through maintenance repairs and write-offs at the end of the year.

The revised ore reserve estimates are expected to improve the mining grade. The completed underground development program and phasing out of cut and fill mining has reduced the underground

labour force by 42%. Milling costs should continue to decline with major repairs and write-offs completed.

Comparative cost figures per ton, not including head office expenses, are as follows:

	1970	1969
Development	0.20	0.48
Mining	7.33	6.25
Milling	2.66	2.11
Marketing	1.03	1.40
General Expense	2.87	2.82
	14.09	13.06

GENERAL: Capital expenditures for the year totalled $75,093. This is made up of the additions to the mill, miscellaneous equipment, and the installation of the short head cone crusher.

A new labour contract was negotiated and signed between the company and the United Steelworkers of America. The agreement covers a period of three years, expiring December 16, 1973. The settlement was based on an overall increase of $0.73 per hour over the life of the contract.

Relations between the company and employees have been normal.

I wish to express my appreciation toward the mine staff and employees for their continued support throughout the year.

The co-operation and assistance of the directors and head office staff is also appreciated.

Respectfully submitted,

C. P. Moore, P.Eng.,
Manager, Werner Lake Division.

DUMBARTON MINES LIMITED

Production from Dumbarton Mines in 1970 totalled 265,222 tons of ore trucked, of which 12,670 tons were stockpiled and 252,552 tons milled for an average daily rate of 703 tons.

Stockpiling of ore at Werner Lake was started in June to supplement ore shortages caused by road conditions and breakdown of trucking equipment.

The production of concentrates totalled 18,654.8 dry tons, with recoverable metal content of 3,048,380 pounds of nickel and 1,369,919 pounds of copper.

MINING: Emphasis was maintained during the year on the extension of the 500 west haulageway, to develop the mine to the west.

Development of a block of the East zone, known as 5-460 stope, was also completed during the year.

All development work was reduced to a 40-hour week in June.

Development footages for 1970 involved 4,090 feet of drifts and crosscuts, 659 feet in raises and 14,483 feet of diamond drilling.

Ore production from sub level benching, employing trackless longhole drill rigs and equipment for ore handling produced an average daily tonnage of 990 tons of crushed conveyed ore for trucking. Approximately 84.6% of this ore came from the East zone and the remaining 15.4% from the West zone.

Crushed and conveyed waste from development headings amounted to an average daily tonnage of 69 tons.

ORE RESERVES: Development of the West ore body increased the total ore reserves by some 30,000 tons.

The ore in the 250 west drift, offset by a fault, was found to continue west and is still open to depth.

The surface overburden has been partially stripped from the ore bodies and sampling has enabled us to increase the length of the surface pillar over the West ore body. The pillar now contains 172,000 tons of ore, at 20% dilution, grading 0.83% nickel.

Irregularities found in the ore limit outlines have resulted in the establishment of a systematic drill program. Diamond drilling is programmed to drill on 50-foot sections to intersect the anticipated ore outline halfway between levels. This enables us to establish accurate ore outlines for longhole benching and reduce the dilution factor to 10%. Normally, 20% dilution is allowed for the irregular distribution of nickel within the zone of sulphides.

Ore reserves as of December 31, 1970, are tabulated below, based on 9.4 tons/cubic foot at 10% and 20% dilution:

	Tons	Nickel	Copper
Proven	1,068,000	0.88%	0.28%
Probable	172,600	0.83%	0.29%
	1,240,630	0.87%	0.28%

MILLING: Performance figures for the year are tabulated below:—

	1970	1969
Tons Milled	252,552	66,395
Heads —		
Nickel %	0.86	0.77
Copper %	0.34	0.26
Tails —		
Nickel %	0.19	0.16
Copper %	0.042	0.034
Concentrates —		
Nickel %	9.17	8.31
Copper %	4.08	3.10
Recovery —		
Nickel %	79.03	80.5
Copper %	88.7	88.0

COSTS: Difficulties encountered in the mill, coupled with the worst road conditions in 14 years, increased operating costs through road maintenance and loss of Dumbarton ore milled.

These difficulties are being met with improvements implemented in the mill plant and stockpiling of Dumbarton ore at Werner Lake.

Comparative cost figures, not including head office expenses, are supplied in this table:—

	1970	1969
Development	0.96	1.87
Mining	1.91	1.67
Milling	2.17	1.72
General Expense	0.86	1.06
Overhead Charges (C.C.F.L.)	1.01	1.36
Crushing	0.29	0.16
Conveying	0.14	0.14
Ore & Waste Transport	1.20	1.11
Marketing	1.31	1.62
	9.85	10.71

GENERAL: Capital expenditures for the year totalled $19,925 which represents the cost of a second longhole drill rig put into operation.

Improvement in the mill feed after September was followed by marked increase in the milling rate. It would appear we can sustain a milling rate of 1,000 tons per day of straight Dumbarton ore, provided there is no change in the ore to reduce the grinding rate and delivery of the increased tonnage over the present roads can be assured.

During the year, the company and its employees maintained good relationships without a labour agreement.

I wish to express my appreciation to the mine staff and employees for their support throughout the year. The co-operation and assistance of the directors and head office is also appreciated.

Respectfully submitted,

C. P. Moore, P.Eng.
Manager, Dumbarton Mines Limited.

RED MOUNTAIN MINES LIMITED

1970 witnessed the last of the 300,000 ton orebodies and mill feed was obtained from small deposits of 100,000 tons or less.

Ore was mined from five different pits on the property, plus one off the property. Development in waste rock was required on four of these. Regardless of proximity or otherwise, all of these ores showed a different metallurgical behavior in the mill.

The tempo of exploration was increased by two drill programs totalling some 6,526 feet. In the spring, the "C" orebody was outlined by the first program. Although the ore was of excellent grade, the waste strip ratio of 3.5/1.0 was considered excessive to provide mill feed from one pit only. A modified plan, having a strip ratio of 1.4/1.0, was chosen to mine a limited amount of this "C" ore on upper elevations.

The second program was inaugurated in October after a geochemical survey indicated some favourable zones for testing. This current drilling has outlined an orebody designated "E", located in the eastern part of the Mountain View Claim. After final definition, there is an indicated 113,000 tons of ore grading 0.40% MoS_2. No unfavourable trace elements, or oxidation, has been noted in this mineralization with the exception of tungsten. No detrimental metallurgical effects are expected from this mineral. Drilling will continue at a later date to fully exploit this favourable area.

Another development schedule was carried out on the Scurry-Rainbow Novelty Claim in hopes of providing a new source of ore feed for the mill. The results were considered unfavourable for any immediate use of this ore with the existing flow sheet.

The mine site operating profit is $5,166.

Factors which influenced the reduction in profit can be attributed to: Amenability of the ore to treatment, which in turn means recovery and product quality; High pit development costs which are attributed to opening up four orebodies with the balance pertaining to exploration costs of $48,800 (these items represent $0.44 per ton, or $93,016); Replacement of the major components in the quarry mobile equipment which were approaching overage of 10,000 hours, and replacement of the bulldozer for a total expense of $42,000.

PIT DEVELOPMENT: Timber clearing was done on two pit areas while earth stripping was required on three. The summary shows 2,100 feet of haulroad completed to "E" orebody, of which 1,500 feet is cat trail only.

In addition, the timber clearing on the steep slopes of "C" zone was a large and expensive item.

Some 360 feet of rock cuts were needed as access to Lower "B", "D" and Upper "A" pits.

MINING: Upper "A" pit involved 89,677 tons of ore and 21,900 tons of waste. This ore is considered part of the original "A" deposit, separated by a large lamprophyre dike only at a much higher elevation. Partial preparations for mining were made in 1969 and final stripping and road construction completed in the spring of 1970. Mineralogically, it was similar to the original "A" but complicated in the mining by tongues of lamprophyre.

Lower "B" pit accounted for 18,848 tons of ore, 17,300 tons of waste. Percussion drilling indicated a continuance of the high grade lens below the final pit bottom. A feasibility study indicated the extraction would be economic, despite the access demands of a 200-foot waste cut, plus slashing.

Upper "B" pit involved — 41,387 tons of ore. This ore was adjacent to the strongest fault zone previously found on the property. The molybdenum mineral was distributed erratically in high grade blobs with a large percentage in the oxide form. Unfortunately, the oxides were irrecoverable and tailing losses were excessive. Profit losses forced the abandonment of this pit as soon as other areas could be made available.

"D" pit accounted for 36,880 tons of ore and 22,600 tons of waste. This ore configuration was shaped like a stubby "L" of small area, and quite deep, covered by a 25-foot bed of waste rock. Access was provided by rock cuts in the down slope waste. The higher grade made the mining economic.

"C" pit ore amounted to 24,228 tons, waste to 41,515 tons. The larger portion of this ore is found conformable with the bedding and hill slope some 50 feet below the surface. Some vertical expression of the shoot reaching surface is found adjacent to the dike complex contact. Mining commenced in November but insufficient lead time for waste removal created an inability to provide the mill with a constant ore feed.

RED MOUNTAIN MINES OPERATING, RESERVES STATISTICS

PRODUCTION AND SALES

Inventory 1969 production unsold	140,287 lbs. MoS_2
Production 1970	979,092 lbs. MoS_2
	1,119,379 lbs. MoS_2
Shipments 1970	942,186 lbs. MoS_2
Inventory, December 31, 1970	177,193 lbs. MoS_2

OPERATING COSTS

	1970	1969	1968	1967
Development	$ 0.44	$ 0.42	$ 0.31	$ 0.18
Mining	*1.45	.93	.93	.86
Milling	2.07	2.28	2.17	2.62
General, mine office	.96	1.02	.95	1.11
Total cost tons milled	4.92	4.65	4.36	4.77
Milled tons	212,051	201,542	196,397	159,711
Grade (%)	.30	.35	.28	.42
Recovery (%)	79.05	87.25	82.7	84.6
MoS_2 produced (pounds)	979,092	1,232,582	916,817	1,136,956

Plant Ledger value increased $37,052 in 1970 to $2,129,122.

*Wastestrip costs included in mining, 1970, instead of in development as in previous years.

ORE RESERVES

Description	Classification	Reserves Dec. 31/69 Grade	Reserves Dec. 31/69 Tons	Mined in 1970 Grade	Mined in 1970 Tons	Reserves Dec. 31/70 Grade	Reserves Dec. 31/70 Tons
Main "A"	Completed						
Upper "A"	Probable	.33	100,000	.28	89,667	.33	9,800
Lower "B"	Completed	.40	12,200	.35	18,848		
Upper "B"	Completed	.25	44,360				
"C"				.34	24,228		
"D"	Completed	.40	20,000	.35	36,880		
"E"	Probable					.40	113,000
TOTAL Probable						.39	122,800
"C"	Possible	.40	140,000	.34	24,228	.40	117,770[1]
TOTAL All Classifications				.30	211,020		240,570

[1] This cannot be mined without removal of 458,495 tons of waste. Other alternatives are available with reduced ore and waste quantities.

MILLING: Modifications were made to dust collection equipment with the addition of a scrubber, designed and fabricated by the mine shop. Except for replacement of #1 and #3 conveyor belts, all remaining operation and maintenance items were normal.

Metallurgical differences were encountered in every change of ore source. Some knowledge was gained and utilized to advantage, but for the most part these problems could not be solved with the present flow sheet.

With the demand on a molybdenum concentrator to produce a final high grade product containing trace amounts of other metals from a variety of feeds, the need for an excess of cleaning capacity becomes imperative. The concentrator at Red Mountain Mines does not meet these requirements.

The ores containing molybdic oxides resulted in very low recoveries and no improvement could be obtained. Other metallics could be controlled through adequate use and proper distribution of the depressants. If increased cleaning capacity was available, testing proved that bismuth content could be lowered. With the introduction of a new dispersent reagent, better control of talc was proven.

Mechanical problems were minimal and plant availability at 95.1% was excellent.

The mill operated at a rate of 26.9 tons per hour for 11.7 months or at an average monthly rate of 18,124 tons.

Mill heads were .30 with recoveries of 79%. This recovery is in contrast with 1969 recoveries of 87.2% enjoyed in the clean ores of the Lower "B" pit.

TAILINGS DISPOSAL: The main dam was raised four feet by the addition of 2,810 tons of waste rock and 5,411 tons of sand filter.

A small dam was constructed at the north end of the pond to contain the disposal within property limits. Two hundred feet of 24" by-pass culvert for Jumbo Creek was added at the intake.

New legislation is now in effect demanding a written report by a consulting soil engineer regarding the stability of existing dam structures. A statement from management, verifying the complete fulfillment of the construction specifications, can also be requested.

MECHANICAL: All quarry equipment had reached an age of replacement for major components, cumulating into a large expense during the latter part of 1970. The loader required motor and transmission replacement in addition to motor replacement in the truck. The drilling equipment required a new compressor end and a new drill for the air trac.

Failure in the final drive of the bulldozer forced the retirement of this unit and a replacement was obtained in late September.

GENERAL: The company received Pollution Permit No. 370-P, requiring the most stringent quality conditions in the effluent.

As required in the Act, the company conducted experimental work on reclamation. Experimentive plots on tailings sands proved that grass cover could be established at considerable cost. Further testing is planned in 1970 with seedlings.

Cominco Limited provided men and equipment to conduct stack tests on our solids emissions from the crusher dust collector. The results were satisfactory to comply with any known government requirements. Verbal hostility is still experienced from down-wind landowners in summer and the ski club in winter.

Criticism was received from citizens of Rossland regarding air blast nuisance, but this problem has abated.

CONCLUSION: Milling is scheduled to resume in February on a profitable basis with feed from the "E" Ore Zone.

Additional ore reserves will be required to assure continuance of milling in 1971. Decisions have been made to resume exploration for this purpose.

With the exception of the bulldozer, ownership of the pit equipment will be completed in early 1971. Meanwhile, maintenance schedules have kept these units at a high stage of operating efficiency.

I wish to record my appreciation for the co-operation and efforts of the staff.

Respectfully submitted,

B. C. Fillingham,
Manager.

CONSOLIDATED CANADIAN FARADAY LIMITED
(Incorporated under the laws of Ontario)
and consolidated subsidiaries

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1970
(with comparative figures at December 31, 1969)

ASSETS

	1970	1969
CURRENT ASSETS		
Cash and short-term deposits	$ 100,996	$ 124,104
Accounts receivable	41,433	59,840
Outstanding settlements and concentrates, at estimated net realizable value, less advances	439,545	410,207
Supplies and other prepaid expenses	291,636	406,833
	873,610	1,000,984
INVESTMENT IN SHARES OF NON-CONSOLIDATED SUBSIDIARY COMPANIES, at cost		36,400
OTHER INVESTMENTS (notes 2 and 5)	3,938,036	3,871,066
FIXED ASSETS (note 3)		
Buildings, plant and equipment, at cost	11,061,941	11,024,184
Less accumulated depreciation	9,292,280	8,815,696
	1,769,661	2,208,488
Mining claims, rights, properties and leases, at cost less accumulated depletion of $409,609	467,801	464,601
	2,237,462	2,673,089
OTHER ASSETS (including mortgage receivable from director $27,300)	200,448	314,617
	$ 7,249,556	$ 7,896,156

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Bank loan, secured by assignment of book debts	$ 160,000	
Accounts payable and accrued liabilities	223,195	$ 277,425
	383,195	277,425
6½% MORTGAGE payable in instalments to September 1, 1976, less current portion included in accounts payable	118,095	137,410
	501,290	414,835

SHAREHOLDERS' EQUITY

	1970	1969
CAPITAL STOCK (note 4)		
Authorized — 5,000,000 shares of no par value (166,250 reserved for stock options; 40,625 in 1969)		
Issued — 3,421,300 shares	6,459,747	6,459,747
CONTRIBUTED SURPLUS	1,506,061	1,506,061
	7,965,808	7,965,808
DEFICIT	1,217,542	484,487
	6,748,266	7,481,321

Approved by the Board:

W. C. CAMPBELL, Director.

JULES LOEB, Director.

	1970	1969
	$ 7,249,556	$ 7,896,156

Commitments and contingencies (note 8)

AUDITORS' REPORT

To the Shareholders of Consolidated Canadian Faraday Limited

We have examined the consolidated balance sheet of Consolidated Canadian Faraday Limited and consolidated subsidiaries as at December 31, 1970 and the consolidated statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 9, 1971

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants

CONSOLIDATED CANADIAN FARADAY LIMITED
and consolidated subsidiaries

CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1970
(with comparative figures for 1969)

	1970	1969
Production of concentrates	$1,368,803	$2,326,789
Rental and other income	396,719	318,524
	1,765,522	2,645,313
Operating expenses (including mortgage interest of $9,600 in 1970 and $11,400 in 1969)	1,621,381	2,809,853
	144,141	(164,540)
Depreciation	511,561	428,851
Amortization of deferred development expenditures	36,996	65,244
	548,557	494,095
Loss before undernoted items	404,416	658,635
Financing expenses		79,941
Outside exploration	35,448	130,954
Allowance for losses		
Non-consolidated subsidiaries	36,400	3
Other investments	164,000	154,099
Supplies and other assets	92,791	
Cost of mining claims abandoned		20,568
	328,639	385,565
Loss for the year (notes 6 and 7)	$ 733,055	$1,044,200
Loss per share	$ 0.21	$ 0.35

CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED DECEMBER 31, 1970
(with comparative figures for 1969)

	1970	1969
Retained earnings (deficit) at beginning of year	$ (484,487)	$ 559,713
Loss for the year	733,055	1,044,200
Deficit at end of year	$1,217,542	$ 484,487

CONSOLIDATED CANADIAN FARADAY LIMITED
and consolidated subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
YEAR ENDED DECEMBER 31, 1970
(with comparative figures for 1969)

	1970	1969
Source of funds		
Operations		
Depreciation, amortization and other items not involving current funds	$ 754,634	
Deduct loss for the year	733,055	
	21,579	
Issue of common shares (note 4)		$3,029,599
Other	51,822	76,484
	73,401	3,106,083
Application of funds		
Operations		
Loss for the year		1,044,200
Deduct depreciation, amortization and other items not involving current funds		739,567
		304,633
Advances to other companies, net	205,969	1,736,371
Additions to fixed assets	78,454	282,346
Purchase of investments		104
Other	22,122	50,102
	306,545	2,373,556
Increase (decrease) in working capital position	(233,144)	732,527
Working capital (deficiency) at beginning of year	723,559	(8,968)
Working capital at end of year	$ 490,415	$ 723,559

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Year Ended December 31, 1970

1. **BASIS OF CONSOLIDATION**

These financial statements consolidate the accounts of the following wholly-owned subsidiaries: N M C Securities Limited, Bancroft Holdings Limited, F M L Securities Limited, Waterfront Developments Limited, Farida, Inc., and Faramines, Inc.
Greenoaks Mines Limited (53.06% owned) for which audited financial statements are not available and which is not material, is not included in the consolidation. This company is not presently active and full provision has been made for the investment therein. The affairs of Remtrol Limited (100% owned) were wound up during 1969 and its charter is to be surrendered. The loss incurred had been fully provided for in prior years.

2. **OTHER INVESTMENTS**

These may be summarized as follows:

	Advances	Shares not in excess of cost	Allowance for losses	Total	Quoted market value
Companies for which there is a quoted market value		$ 645,264		$ 645,264	$ 456,050
Companies for which there is no quoted market value		193,423		193,423	
Henrietta Mines Limited (convertible debentures)	$ 100,000			100,000	
				938,687	
Allowance for loss on above investments			$ (494,750)	(494,750)	
				443,937	
Closely held Companies:					
Prairie Potash Mines Limited		180,000		180,000	
Dumbarton Mines Limited	3,113,995	103		3,114,098	
Red Mountain Mines Limited (6% income debentures)	979,680	1	(779,680)	200,001	
	$4,193,675	$1,018,791	$ (1,274,430)	$3,938,036	$ 456,050
1969 totals	$3,987,706	$ 993,790	$ (1,110,430)	$3,871,066	$ 582,587

These include instances of large share holdings where quoted market values are not necessarily indicative of amounts which might be realized if the shares were to be sold.

Included in the quoted market value is $122,171 ($155,004 in 1969) representing escrowed shares which have been valued at 50% of the quoted market value of free shares.

3. **DEPRECIATION, DEPLETION AND AMORTIZATION POLICY**

(a) Depreciation

Depreciation is being provided on a basis that will write off the net book value of the mine assets over the remaining life of the Werner Lake orebody and the net book value of the mill assets over the life of the Maskwa orebody.

(b) Depletion

It is not common practice in Canada for mining companies to make provision for depletion of mining claims, rights, properties and leases and the company's present

policy is to not make any provision in its accounts. Prior to amalgamation, one of the constituent companies did provide for depletion to the extent of $409,609, which is still carried in the accounts.

(c) Amortization deferred development costs are amortized on a straight line basis at 25% per annum on cost. On this basis the balance of $6,644 will be amortized by December 31, 1971.

4. CAPITAL STOCK

(a) Authorized

By Supplementary Letters Patent dated July 2, 1969 the authorized capital of the company was increased from 3,500,000 to 5,000,000 shares of no par value.

(b) Issued

	No. of shares	Stated value
Balance, December 31, 1968	2,548,681	$3,430,148
In 1969		
For cash		
Pursuant to rights offering of one share at $3.50 for every three held	767,744	2,688,328
Pursuant to option plans	27,917	71,918
Upon conversion of 7½% convertible notes	76,958	269,353
Balance, December 1969 and 1970 .	3,421,300	$6,459,747

(c) Incentive option plans for key officers and personnel

Options on 40,625 shares at $2.60 per share remained outstanding as at December 31, 1969. During 1970 options on 10,625 shares lapsed by reason of terminations of employment and options on shares at $1.50 per share were substituted for the remainder (see below).

Options on 166,250 shares at $1.50 per share have been granted, subject to shareholder approval, and remain outstanding at December 31, 1970.

5. DUMBARTON MINES LIMITED

Pursuant to an agreement dated August 15, 1968 between Consolidated Canadian Faraday Limited and Maskwa Nickel Chrome Mines Limited each company owns 50% of the outstanding shares of Dumbarton. As required under the terms of the agreement Faraday has prepared Maskwa's nickel-copper deposit for production at a rate of at least 700 tons of ore per day and extended its own mill to process such ore. Faraday's advances for preparing the Maskwa mine for production and providing operating capital will be repaid from the cash flow and thereafter operating profits will be divided equally between Maskwa and Faraday. Capital expenditures of $566,927 incurred by Faraday in extending the capacity of its mill are repayable through an amortization charge per ton of Maskwa ore treated.

6. PRODUCTION OF CONCENTRATES

The production of ore was reduced to approximately 300 tons per day October 1, 1969 when Dumbarton Mines Limited commenced production. The combined ore is processed by Faraday with each company bearing its share of the expenses. The result of this has been to reduce the income derived from concentrate production from October 1, 1969.

7. INCOME TAXES

The company has substantial depreciation, amortization and exploration expenditures available to offset taxable income of future years.

8. COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of an agreement dated September 8, 1966, as amended, Federal Resources Corporation, an unaffiliated company, has undertaken to organize and finance by December 31, 1975 an entity to acquire and operate the company's Bancroft (uranium) property. This commitment is accelerated in the event that a market for the product from the property is earlier developed. The company will retain a 49% interest. Under the terms of the agreement Federal has assumed responsibility for maintenance of the mine property.

The company has pledged its book debts as collateral for its guarantee of a bank loan to Dumbarton Mines Limited in the amount of $500,000 at December 31, 1970.

9. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers (as defined by The Business Corporations Act, 1970) amounts to $131,300 (1969, $130,767).

DUMBARTON MINES LIMITED
(Incorporated as a private company under the laws of Manitoba)

BALANCE SHEET—DECEMBER 31, 1970

(with comparative figures at December 31, 1969)

ASSETS

	1970	1969
CURRENT ASSETS		
Cash	$ 1,926	$ 47,058
Accounts receivable	12,464	16,593
Outstanding settlements and concentrates, at estimated net realizable value less advances	1,094,709	684,215
Stockpile, at cost	44,376	
Supplies and other prepaid expenses	126,176	74,487
	1,279,651	822,353
FIXED ASSETS		
Buildings and equipment, at cost	1,503,899	1,483,974
Less accumulated depreciation	360,190	62,444
	1,143,709	1,421,530
PREPRODUCTION EXPENDITURES	1,254,124	1,234,644
Less accumulated amortization	300,341	51,954
	953,783	1,182,690
	$3,377,143	$3,426,573

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Bank overdraft	$ 32,852	
Bank loan, secured by assignment of book debts	500,000	$ 575,000
Accounts payable and accrued liabilities	70,501	110,131
Mining tax payable	6,030	
Advances from Consolidated Canadian Faraday Limited (note 2)	3,113,995	2,908,026
Total liabilities	3,723,378	3,593,157

CAPITAL STOCK AND DEFICIT

	1970	1969
CAPITAL STOCK		
Authorized and issued — 20,000 shares without par value	205	205
DEFICIT	346,440	166,789
	(346,235)	(166,584)
	$3,377,143	$3,426,573

Approved by the Board

W. C. CAMPBELL, Director.

D. R. LOCHHEAD, Director.

STATEMENT OF INCOME

Year Ended December 31, 1970

(with comparative figures for 1969, note 3)

	1970	1969
Production of concentrates	$3,455,958	$ 846,391
Less adjustment for precious metals due Consolidated Canadian Faraday Limited		19,620
	3,455,958	826,771
Operating expenses other than below	2,808,529	810,947
Manitoba mining tax	13,350	
	2,821,879	810,947
	634,079	15,824
Interest on advances from Consolidated Canadian Faraday Limited	267,597	68,215
Income (loss) before undernoted items	366,482	(52,391)
Depreciation	297,746	62,444
Amortization of preproduction expenditures	248,387	51,954
	546,133	114,398
Loss for the year	$ 179,651	$ 166,789

STATEMENT OF DEFICIT

Year Ended December 31, 1970

(with comparative figures for 1969)

	1970	1969
Deficit at beginning of year	$ 166,789	
Loss for the year	179,651	$ 166,789
Deficit at end of year	$ 346,440	$ 166,789

AUDITORS' REPORT

To the Shareholders of Dumbarton Mines Limited

We have examined the balance sheet of Dumbarton Mines Limited as at December 31, 1970 and the statements of income, deficit, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 25, 1971

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1970

(with comparative figures for 1969)

	1970	1969
Source of funds		
Operations		
Depreciation and amortization of preproduction expenditures not involving current funds	$ 546,133	
Deduct loss for the year	179,651	
	366,482	
Application of funds		
Operations		
Loss for the year		$ 166,789
Deduct depreciation and amortization of preproduction expenditures not involving current funds		114,398
		52,391
Addition to fixed assets	19,925	856,560
Preproduction expenditures	19,480	734,218
	39,405	1,643,169
Increase (decrease) in working capital position	327,077	(1,643,169)
Working capital deficiency at beginning of year	2,770,804	1,127,635
Working capital deficiency at end of year	$2,443,727	$2,770,804

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1970

1. FORMATION OF COMPANY

   The company was incorporated pursuant to an agreement between Consolidated Canadian Faraday Limited (Faraday) and Maskwa Nickel Chrome Mines Limited (Maskwa) whereby:

   (i) Maskwa transferred to Dumbarton, under license, the five mining claims covering the known mineral deposit.

   (ii) Costs of preparing the deposit for mining and the amortization of the cost of Faraday extending its mill at its Werner Lake Mine to enable it to treat the ore produced are to be paid from the cash flow resulting from the sale of concentrates.

   (iii) Faraday and Maskwa who are the equal shareholders of the company are then to participate equally in operating profits.

2. ADVANCES FROM CONSOLIDATED CANADIAN FARADAY LIMITED

   Interest is accrued on advances at Faraday's bank rate. As at December 31, 1970, the advances included interest of $468,784 ($229,923 in 1969).

3. COMPARATIVE FIGURES

   Production of concentrates commenced October 1, 1969.

CONSOLIDATED CANADIAN FARADAY LIMITED

1970 ANNUAL REPORT

Printed in Canada.

DUMBARTON MINES LIMITED

STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 1970
(subject to year-end adjustments and audit)

Production of concentrates		$1,732,659
Operating expenses		1,344,959
		387,700
Interest on advances from Consolidated Canadian Faraday Limited		133,329
		254,371
Depreciation	$ 147,400	
Amortization of pre-production expenses	122,100	269,500
Loss for the period		$ 15,129

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
Six months ended June 30, 1970

Source of funds:	
Operations:	
Loss for the period	$ 15,129
Add depreciation and amortization of preproduction expenditures not involving current funds	269,500
	254,371
Application of funds:	
Additions to fixed assets	4,258
Increase in working capital position	250,113
Working capital deficiency at beginning of the period	2,770,804
Working capital deficiency at end of period	2,520,691

Printed in Canada

CONSOLIDATED
CANADIAN FARADAY
LIMITED

INTERIM REPORT
FOR THE SIX MONTHS
ENDED JUNE 30, 1970

To the Shareholders:

Consolidated statement of income and source and application of funds are enclosed for the six-month period ending June 30, 1970, with comparative figures for the corresponding fiscal period in 1969.

A similar statement covering the operations of Dumbarton Mines Limited, for the first six months of 1970 is also enclosed. Since Dumbarton was not in production until late 1969 comparative figures are not available.

Although production returns were lower from the Werner Lake operation, a substantially increased operating profit was realized in the period, compared to first half 1969.

A net loss is recorded for both the Dumbarton and Werner Lake operations after depreciation and amortization of deferred development.

On behalf of the board,

W. Clarke Campbell,
President.

Toronto, Ontario,
August 24, 1970.

CONSOLIDATED CANADIAN FARADAY LIMITED

AND ITS CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

Six months ended June 30, 1970
(subject to year-end adjustments and audit)

	1970	1969
Gross revenue	$ 880,945	$1,482,000
Operating costs	709,924	1,471,000
	171,021	11,000
Deduct:		
Depreciation	261,125	204,000
Amortization of deferred development	18,200	45,000
Outside exploration	4,368	65,000
Note discount and interest	—	97,000
Financing expense	—	51,000
	283,693	462,000
Net income (loss)	(112,672)	(451,000)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Six months ended June 30 1970	1969
Source of funds:		
Issue of common shares	$ —	$3,028,000
Other	37,596	11,000
	37,596	3,039,000
Application of funds:		
Operations		
Loss for the period	112,672	451,000
Deduct depreciation, amortization and other items not involving current funds	279,325	294,000
	(166,653)	157,000
Advances to Dumbarton Mines	278,864	833,000
Additions to fixed assets	45,262	210,000
Other	9,225	20,000
	166,698	1,220,000
Increase (decrease) in working capital position	(129,102)	1,819,000
Working capital (deficiency) at beginning of year	723,559	(9,000)
Working capital at end of period	594,457	1,810,000

CONS CANADIAN FARADAY - - DEC 31 YEAR LOSS
733 055 DLS VS 1 044 200 DLR LOSS - REVENUE
1 765 522 DLS VS 2 645 313 DLS
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